MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

DEC5624 INTRODUCTORY MACROECONOMICS

(All Sections/Groups)

10 JULY 2023
2.30 PM – 4.30 PM
(2 hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 2 sections.
2. Attempt **ALL** questions in Section A and Section B.
3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS (20 Marks)

1. Which of the following is a topic learned in Macroeconomics?
   A. Unemployment rate in Thailand
   B. The wage of Honda factory worker.
   C. The price of *hp* computers.
   D. The amount of bread produced.

2. Fine-tuning is _____.
   A. government's role in regulating inflation and unemployment
   B. firm's role in balancing the debt and equity
   C. household's role in balancing work life and personal life
   D. market's role in finding the finest quality of product at the lowest price

3. Which of the following is **NOT** an example of transfer payment?
   A. pension fund
   B. veteran's benefits
   C. welfare payments
   D. annual bonus

4. In the circular flow diagram, the government _____.
   A. receives taxes from firms and households, pays firms for goods and services and pays interest and transfers payment to households
   B. pays taxes to firms and households, received tax from firms for goods and services and pays interest on loan and transfers assets to households
   C. receives transfer payment from firms and households, pays firms and households for goods and services and pays interest on loan and transfers credit to households
   D. pays taxes to firms and households, received markup from firms and households for goods and services and pays interest and transfers to households

5. Uncertainty about the future is likely to _____.
   A. increase current spending
   B. have no impact on current spending
   C. decrease current spending
   D. either increase or decrease current spending

6. The fraction of a change in income that is consumed or spent is called _____.
   A. the marginal propensity of income
   B. the marginal propensity to save
   C. the marginal propensity to consume
   D. average consumption

Continued...

7. Consumption is _____.
   A. positively related to household income and wealth and households' expectations about the future, but negatively related to interest rates
   B. negatively related to household income and wealth, interest rates, and households' expectations about the future
   C. determined only by income
   D. positively related to household income and wealth, interest rates, and households' expectations about the future

8. Assuming no government or foreign sector, if the MPC is 0.9, the multiplier is ___.
   A. 0.1
   B. 5
   C. 9
   D. 10

9. When discussing about aggregate supply, it is necessary to _____.
   A. distinguish between long-run aggregate supply and short-run aggregate supply
   B. distinguish between long-run full employment and short-run full-employment
   C. focus on the short run
   D. focus on the long run

10. Demand-pull inflation will _____.
    A. increase the price level and not change real GDP
    B. increase both the price level and real GDP
    C. increase the price level and decrease real GDP
    D. shift the aggregate supply curve rightward

11. Aggregate demand curve slopes downward because of _____ and _____ effect.
    A. substitution; price level
    B. substitution; wealth
    C. price level; expectation
    D. wealth; expectation

12. Which of the following factors may trigger inflation?
    I. An increase in aggregate demand.
    II. An increase in aggregate supply.
    III.A decrease in aggregate demand.
    IV.A decrease in aggregate supply.

    A. I and II.
    B. I and III.
    C. I and IV.
    D. II and IV.

Continued...

13. This type of unemployment reflects the normal amount of unemployed workers who possess skills that will enable them to find another job.
    A. cyclical unemployment
    B. frictional unemployment
    C. structural unemployment
    D. traditional unemployment

14. For Jihan to be considered out of the labor force, she can be _____.
    A. a full-time student
    B. a full-time retiree
    C. a full-time volunteer
    D. all of the above

15. When an individual quits his/her job and decides to stay at home for a while, the labor-force participation rate _____.
    A. decreases
    B. increases
    C. stays the same
    D. may increase or decrease, depending on the length of time he/she stays at home

16. The natural rate of unemployment is generally thought of as the _____.
    A. ratio of the frictional unemployment rate to the cyclical unemployment rate
    B. sum of structural unemployment and cyclical unemployment
    C. sum of frictional unemployment and cyclical unemployment
    D. sum of frictional unemployment and structural unemployment

17. Which of the following statements is **TRUE**?
    A. A country runs a capital account deficit if it imports more than it exports.
    B. Receipts from exports of goods and services sold abroad is recorded under capital account.
    C. Official reserves are the government's holdings of the country's currency.
    D. The sum of the balances of payment will always equal to zero.

18. The current account in the balance of payment _____.
    A. measures our exports minus our imports taking into account interest payments paid to and received from the rest of the world (net transfer).
    B. measures our imports minus our exports.
    C. does not account for interest payments paid to and received from the rest of the world.
    D. is part of GDP.

19. All currencies other than the domestic currency of a given country are referred as _____.
    A. fiat money
    B. gold
    C. near money
    D. foreign exchange

Continued...

20. Malaysian residents demand foreign currencies to _____.
    A. produce goods and services to be exported to foreign countries
    B. pay for goods and services imported from foreign countries
    C. receive interest payments on investments in Malaysia
    D. have foreigners make financial investments in Malaysia

SECTION B: STRUCTURED QUESTIONS [80 Marks]

QUESTION 1

Components	RM (million)
Corporate profit	RM 300
Net Interest	RM 250
Indirect Taxes	RM 330
Depreciation	RM 350
Proprietor's Income	RM 250
Rental Income	RM 80
Personal Income	RM 600
Personal Taxes	RM 370
Compensation of employee	RM 2,350
Net Export of goods and services	RM 50
Personal Consumption Expenditure	RM 2,400
Income earned by the rest of the world	RM 230
Income earned from the rest of the world	RM 70

Table 1

Based on data from Table 1, compute the following items. Students are required to provide necessary formula/equation for each items needed.

(a) National Income (7 marks)
(b) The value for GDP (Gross Domestic Product) by Income approach. (7 marks)
(c) The value for GNP (Gross National Product) (3.5 marks)
(d) Disposable Income (2.5 marks)

(Total: 20 marks)

Continued...

QUESTION 2

Table 2 below shows the output (income) of Country ABC for the past five years. The aggregate consumption function used were C = 100 + 0.80Yd. Based on the data given, answer the questions provided from item (a) until (c) below, by transferring the answers into your own table. (Students are required to copy the table below in answer booklet)

Year	Output (Income) (Y) (RM, million)	(a) Yd	(b) C	I	G	(c) AE
1	400					
2	600					
3	800					
4	1000					
5	1200					

Table 2

(a) The value of disposable income (Yd), given the tax charged were RM200 million. (5 marks)
(b) The consumption value for every level in the aggregate income. (10 marks)
(c) The value of aggregate expenditure (AE) for every level, given planned investment (I) is 100 and government spending is 200 (G). (5 Marks)

(Total: 20 marks)

QUESTION 3

BANK	NEW DEPOSIT (RM)	REQUIRED RESERVE (RM)
KKK	500,000	60,000
YYY	300,000	36,000
DDD	220,000	26,400

Table 3

Table 3 above shown the amount that every bank, KKK, YYY and DDD received as their deposits and the required reserve amount respectively. Based on the above data, compute:

(a) The required reserve ratio. (3 marks)
(b) The Money multiplier. (2 marks)
(c) Construct a T-account for Bank KKK, YYY and DDD respectively if the required reserve ratio changes to 10%. (12 marks)

Continued...

(d) Bank KKK, YYY and DDD are an example of a commercial bank, one type of a depository institutions in a country. List down any **THREE (3)** types of assets that the commercial bank puts the depositors' funds into. (3 marks)

(Total: 20 marks)

QUESTION 4

(a) In 2022, an economy as a whole has 20,000 workers, in which, each of them is working for 1,800 hours per year. Given the average real output per worker-hour for this economy is RM17. Referring to this scenario, answer the following questions.

(i) Calculate the real GDP for this economy. (2 marks)

(ii) Suppose in year 2 the number of workers increased to 22,000. Calculate the new real GDP and the growth rate. (4 marks)

Period	Quantity of Labour **L**	Quantity of Capital **K**	Total Output **Y**	Labour Productivity **Y/L**	Output per Capital **Y/K**	Marginal Return to Labor **ΔY/ΔL**	Marginal Return to Capital **ΔY/ΔK**
1	100	100				-	-
2	100	120				-	
3	110	140					
4	120	150					
5	140	160					

Table 4

(b) Given the aggregate production function for the above period is $Y = L^{0.3}(2K^{0.7})$. Fill in the blanks for Table 4. (Students are required to copy the table below in the answer booklet). Identify the period when the labor productivity decrease. (14 marks)

(Total: 20 marks)

[Total 80 marks]

End of Paper